ON05915

P.90.11

THE SIXTY PERCENT SOLUTION

INCREASED PROVINCIAL FUNDING FOR EDUCATION:

The 1991 Transfer Payments

November, 1990

ONTARIO
PUBLIC SCHOOL BOARDS'
ASSOCIATION

THE ONTARIO PUBLIC SCHOOL BOARDS' ASSOCIATION

THE ONTARIO PUBLIC SCHOOL BOARDS' ASSOCIATION represents 98 public boards of education of all sizes and from all regions of the province which serve over 1,700,000 students and adult learners. OPSBA speaks for public education in Ontario and represents the interests of public school trustees to the government, the public and the media.

ACKNOWLEDGEMENTS

This brief was prepared by the Policy Committee of OPSBA
with technical advice from staff of public boards of education:

Pat Hillhouse, Chair of Halton Board of Education, Chair of Policy Committee
Cheryl Miller, Trustee, London Board of Education, Vice-Chair of Policy Committee
Nancy Bentley, Chair of Lambton Board of Education
Sheila Churchmuch, Trustee, Scarborough Board of Education
Honey Cornfoot, Trustee, Haldimand Board of Education
George Klosler, Trustee, Oxford County Board of Education
Wendy MacKenzie, Trustee, Simcoe County Board of Education
Karen Mifflin, Chair of Lennox and Addington Board of Education
Lorraine Nowina, Trustee, Etobicoke Board of Education
Frances Sewards, Trustee, Sault Ste. Marie Board of Education
Errol Young, Trustee, North York Board of Education

Staff resource: Bev Allen, Director of Legislation and Finance, OPSBA

93-00344/

THE SIXTY PERCENT SOLUTION

TABLE OF CONTENTS

EXECUTIVE SUMMARY 2

RECOMMENDATIONS 3

INTRODUCTION 4

PART I: THE 1991 TRANSFER PAYMENTS: HOW MUCH IS ENOUGH? 5

I. PRESSURES ON THE PUBLIC EDUCATION SYSTEM 5
- A. THE QUALITY OF EDUCATION 6
- B. THE INCREASED COSTS OF DOING BUSINESS 8
- C. ENROLMENT AND DEMOGRAPHIC CHANGES 8
- D. BILL 64, SHARING THE REVENUE BASE 8
- E. CAPITAL NEEDS 9

II. PROPERTY TAX INCREASES 9

III. RECOMMENDATIONS 11

PART II: THE NEED FOR REFORM 12

I. THE SIXTY PERCENT SOLUTION: 60% OF WHAT? 12

II. RECOMMENDATIONS 13
- A. REVIEW OF THE GLG: RECOGNIZED ORDINARY EXPENDITURE 13
- B. EDUCATION FINANCE DATA/IMPACT ANALYSIS 13
- C. AN ACTION PLAN FOR REFORM 14

APPENDICES

APPENDIX A; GOVERNMENT GRANTS TO PUBLIC EDUCATION 15

APPENDIX B; IMPACT OF MANDATORY KINDERGARTEN AND JUNIOR KINDERGARTEN 16

APPENDIX C; EXPENDITURE CEILINGS 17

THE EXECUTIVE SUMMARY

> "What do we and the NDP mean by the costs of education, or put another way, 60 percent of what? Total costs? Approved costs? Does it include capital grants? Does it include teachers' pensions? Who will determine why and how education costs go up, or put another way, who will control the costs? Is it open-ended? Does the province fund 60 percent every year, regardless of the rate of education costs or the level of growth of local school board expenditures?"

Ernie Checkeris, speaking for the public school trustees of Ontario, communicated to the Honourable Bob Rae, Premier of Ontario, "We will need partnerships, such as we have never had before. We will need a common frame of reference and a set of understandings about education costs, and we will need a planned approach taking into account the financial resources of school boards and the provincial government. We know that simply throwing money at education is not the solution. What Ontario society deserves and what Ontario's young people need is an education finance system that will ensure equal education opportunity, provide a fair tax burden for all, and improve our schools' capacity to encourage the best from all our students."

OPSBA in this brief is advising the new government of the views of Ontario's public school trustees regarding the NDP government's 60 percent promise. This brief prepared by the OPSBA Policy Committee and discussed at the October Board of Directors meeting has been forwarded to the government. Hopefully the stage will be set for open discussions between the leaders of OPSBA and the leaders of the new provincial government.

AN 11 % INCREASE IN TRANSFERS FOR 1991

The first test will be the fall announcement of 1991 transfer payments to education.

OPSBA has requested that the transfer payments to school boards for 1991 be increased by at least 11 percent, costing the provincial treasury approximately $500 million more.

Why a minimum increase of 11 percent? The answer lies in the critical issues now facing public school trustees in their budgetary processes. Public expectations about the availability of new programs have placed school trustees in a difficult situation. Provincial announcements of new initiatives for "better" education without the accompanying financing have resulted in increased costs to local taxpayers. School boards have then faced vocal ratepayers and local press to defend rapidly increasing education mill rates.

OPSBA states that many of the pressures on public school boards are not within the control of the local school board, and these must be factored into any assessment of the level of transfer payments to boards of education for 1991. Key factors affecting the costs of public education are: changes to the quality of education mandated by the Province, such as reduced class size, an increased emphasis on computer technology and science and technology, junior and senior kindergarten; the increased cost of doing business resulting from for example pay equity and the employer health levy; enrolment and changing demographics, environmental regulations, and the sharing of the commercial and industrial tax base. Capital funding for increased enrolment resulting from the expansion of junior and senior kindergarten, and for renovation and replacement must be addressed by this government in the up-coming 1991 Provincial budget.

An 11 percent increase in 1991 to elementary and secondary education in Ontario is a modest and reasonable demonstration of this government's commitment to honour its election promises.

REFORM

Reform will be necessary before achieving the promised balance of education funding: 60 percent provincial/40 percent local.

OPSBA has urged a planned approach to reform. As the first step, the government must set up a consultative process to examine the adequacy of the recognized ordinary expenditure ceilings, and resolve this issue in 1991.

OPSBA wants changes to the provincial government's Cabinet process. The government has not consistently assessed the impact of new policies, new programs, changes in legislation or regulation on the partners in the delivery of education, local school boards. OPSBA urges all future submissions to Cabinet and Management Board regarding new programs and legislation must include a financial impact analysis to school boards, of the new initiative. This will require changes in financial reporting, and OPSBA has offered its assistance to the Ministry of Education by providing "technical" advice for a re-examination of local school board financial reporting and data collection.

A broad based forum of the stakeholders in education must be established to develop and implement a revised system of education finance. This review should examine: the role of our education system, the provincial grant structure, the property tax base, and ultimately school board governance.

We are presented with new opportunities. Now is the time to act. OPSBA is ready. The election promise of the 60 percent solution must be tied to reform and new directions for managing public education in this rapidly changing environment.

RECOMMENDATIONS

1. OPSBA urges the government to consider these requirements for 1991:
   - o Consumer Price Index
   - o GST impact
   - o enrolment (Ministry enrolment projections for 1991, including expansion of junior kindergarten)
   - o more accurate data on the impact of pooling of commercial and industrial assessment
   - o cost of pay equity, employer health tax, occupational health and safety programs
   - o costs of education program and curriculum changes
   - o costs of environmental regulation

2. OPSBA recommends that the provincial government provide a minimum increase of 11 percent for 1991, costing the government approximately $ 500 million more.

3. OPSBA recommends that the Ministry of Education with the Ministry of Treasury and Economics establish as soon as possible a consultative process with the education sector to examine the adequacy of the recognized ordinary expenditure ceilings, and set new and appropriate levels for the expenditure ceilings.

4. OPSBA recommends that submissions to Cabinet and Management Board must include a financial impact analysis to school boards of the provincial initiatives that they are required to implement.

5. OPSBA offers its assistance to the Ministry of Education by participating in a "technical team" for the re-examination of financial reporting and data collection.

6. OPSBA urges the provincial government to establish a broad consultation forum which would develop and implement a revised system of education finance.

INTRODUCTION

> "The Liberals like to talk about international competitiveness and preparing for the next century. Yet they've broken their promise of 60 percent funding for elementary and secondary schools, putting the squeeze on quality education and property taxpayers. New Democrats propose raising the provincial share of education costs to 60 percent over five years, providing a solid base for a better education system and lifting some of the load off property taxes. The cost of this initiative over the next two years would be $1.5 billion in property tax relief for Ontarians. We want to reverse the punishing increases in property taxes which hit seniors and low income people especially hard."
>
> (from "An Agenda for the People: a Fair Tax Plan for Ontario" New Democratic Party, August 1990)

The Ontario Public School Boards' Association welcomes this statement. Now the government is faced with new challenges, ensuring a solid financial base for our education system and providing local property tax relief.

The 60 percent solution proposed during the election campaign has been estimated to cost the government $506 million (in 1990 dollars) in the first year and $1,012 million in the second year. In the current fiscal environment of competing interests for provincial funding and declining provincial revenues resulting from a recession, OPSBA recognizes that this allocation of increased support to education must be managed carefully.

OPSBA urges the government to honour its promise to increase the level of provincial support to education to 60 percent. OPSBA also urges the government to initiate a process of education finance reform to maximize the effectiveness of the increased provincial support to education. OPSBA, representing 96 public school boards in Ontario, offers its assistance to the government.

The Ontario Public School Boards' Association, on behalf of public school boards in Ontario has identified education finance as a priority. OPSBA's objectives in this area are:

1) to increase the level of provincial support to public education; and,
2) to initiate and participate in a process for the long term reform of education finance to meet the future needs of the education system in Ontario.

The President of OPSBA, Ernie Checkeris recently communicated to the Honourable Bob Rae, Premier of Ontario:

> "All of this will not happen overnight. We will need trust. We will need partnerships, such as we have never had before. We will need a common frame of reference and a set of understandings about education costs, and we will need a planned approach taking into account the financial resources of school boards and the provincial government. We know that simply throwing money at education is not the solution. What Ontario deserves and what Ontario's young people need is an education finance system that will ensure equal education opportunity, provide a fair tax burden for all and improve our schools' capacity to encourage the best from our students."

We therefore have two messages. One relates to specific issues for the government's consideration when developing the announcement of global transfers for 1991 to the public sector, specifically school boards. Of equal concern to public school boards is the absolute necessity to improve not only the level of support to public education, but also the need to reform the structure of the education finance system: the grants and property tax base.

The goals of OPSBA and Ontario's public school boards and the goals of this government may be complementary. In a recent statement about the current fiscal situation of Government of Ontario, the Treasurer stated: "We have inherited a fiscal and economic situation of some weakness. These are times that call for new ideas and fresh approaches. As a new government, it is not our job to find the funds merely to retain the status quo." OPSBA agrees. There must be both increased funding and change to the education partnership.

Our brief therefore is in two parts. Part I provides an assessment of public school board needs, for the government's consideration in establishing the level of support for education in the up-coming transfer payment announcement. Part II urges a consultative process for implementing education finance reform, and suggests specific steps for this road to reform.

PART I
THE 1991 TRANSFER PAYMENTS TO SCHOOL BOARDS: HOW MUCH IS ENOUGH?

OPSBA is aware that the government is presently in the process of planning for the 1991 fiscal year. This includes the yearly allocation to the public sector, school boards, municipalities, college and universities and hospitals which are usually announced in the late fall for the upcoming fiscal year. In 1989-90 this comprised $30.3 billion, or three quarters of the provincial government's expenditures. The allocation of funds to transfer payments is a crucial fiscal decision for the provincial government. Last December the former Minister of Education announced an 8.7 percent increase ($363 million) to school boards, over the 1989 allocation. In 1989 the global increase was 6.1 percent. Over the past few years the increase in support to education has been slightly over the inflation rate, with the exception of the previous year. It must be kept in mind that these figures are global ones to school boards, public and separate, and do not reflect any percentage increase for an individual board. The figures are an expression of provincial budget policy and support to our elementary and secondary education system.

OPSBA points out that the figures below actually translate into a decrease in the provincial proportion of the cost-sharing of public education. In 1990 the provincial government funded only 29 percent of the operating costs of public school boards. (Refer to Appendix A - 1990 Government Grants to Public Schools) In 1985 prior to the implementation of full funding for separate school boards, the provincial government funded 38 percent of public education.

TABLE 1: TRANSFER PAYMENTS TO EDUCATION

year	% increase
1990:	8.7
1989:	6.1
1988:	6.8

In making the announcement of an 8.7 percent increase for 1990 the former Minister Sean Conway stated that the additional funding was to support the Throne speech initiatives of reduced class size for grades one and two (to twenty pupils), for purchase of computers and learning materials, for the implementation of mandatory half day junior and the option of expanding to full day senior kindergarten, plus extra funding to those public boards negatively impacted by the phased-in sharing of the commercial and industrial assessment with the separate school boards.

The above information is relevant to the question today -- what level of support is required for the upcoming school board fiscal year, 1991? Was the 8.7 percent for last year, well above the inflation rate and seemly adequate at a first glance, enough?

OPSBA presents its conclusive arguments that it was not adequate.

I. PRESSURES ON THE PUBLIC EDUCATION SYSTEM

What are the critical issues facing school trustees in their budgetary processes? Public expectations about the availability of new programs have placed school trustees in a difficult situation. Provincial announcements of new initiatives for "better" education without the accompanying financing, have resulted in increased costs to the local taxpayer. School boards have then faced vocal ratepayers and local press to defend rapidly increasing education mill rates.

There have been studies in the past about the rising costs of education, and OPSBA does not intend to get into a number-crunching exercise. However, it should be stressed that the pressures on public school boards are not always related to factors within the control of the school board. These factors should be considered by the provincial government in assessing its level of support to education in the up-coming transfer payments for 1991.

Factors impacting public education costs:

a. Changes in the delivery of education, mandated by the Province
   example: - reduced class size
   - increased emphasis on computer technology, science and technology
   - adult education
   - junior and senior kindergarten

b. Increased costs of doing business, also legislated by provincial and federal governments
   example: - Employer Health Levy
   - Canada Pension Plan and Unemployment Insurance increases
   - pay equity
   - occupational health and safety improvements
   - copyright laws
   - GST
   - environmental regulation

c. Enrolment and changing demographics
   example: - immigration and heritage language programs
   - immigration and ESL (English as a Second Language)
   - enrolment growth in rapidly developing areas

d. Bill 64 and the sharing of the property tax base

e. Capital needs

A. THE "QUALITY" OF EDUCATION

Over the past few years there has been increased pressure on school board budgets and the local property tax base, resulting from provincially imposed new programs and services all relating to the "quality" of education. These have included government directives for mandatory special education, second language instruction, heritage language instruction, cooperative education, and adult education.

The 1987 and 1989 Throne speeches set the stage for another round of changes to the public education program with reductions in class size, increased emphasis on computer technology, mandatory half-day junior kindergarten, revised curriculum, and the elimination of streaming until after grade nine. All of these initiatives have had a price tag.

In its presentation to the Select Committee on Education in September 1989, OPSBA stated:

> "Education has taken on social, cultural, and health responsibilities that had previously been funded by other ministries and other agencies and institutions. Changing societal and individual needs have placed demands on school boards for extensions to pre-school programs such as child care and junior kindergarten and adult programs and a number of OPSBA's member boards have responded with enthusiasm to these demands within the limits of their local resources..... However the policies themselves may be of limited value in improving educational opportunities unless serious attention is given to the way policies are developed, the plans for policy implementation, and the financial and human resources available for implementation. The government's commitment in funding does not match its stated priority for education."

Analysis of the situation reveals:

- o past provincial governments have provided special program funding for their priorities as identified above, with less allocated to the support of "basic" education through the basic per pupil grant.
- o government grants have funded only a portion of the true costs of new responsibilities.
- o there has not been an adequate process for determining the "actual" costs to boards in delivering these programs.

A comparison of the 1990 and 1989 General Legislative Grants to school boards illustrates the first point:

TABLE 2: 1990 GLG'S

	1990	1989	% Increase
basic per pupil grant	$3,071.8m	$2,915.2m	5.4
board grant	200.2m	190.7m	5.0
program grant	1,179.6m	960.6m	22.8
other	36.9m	63.0m	(41.4)
	$4,488.5m	4,129.5m	8.7

basic per pupil grant: an equalization payment made by the province to a school board. It reflects the difference between the amount deemed necessary by the province for a school board to provide the *base level of education* and the amount raised from local taxes.

board grant: funding of the recognized costs for school boards' costs resulting from special geographic, demographic or socio-economic conditions.

program grant: grants to boards for special programs and services in response to local needs and provincial priorities, including Throne speech initiatives.

other: example: secondary school reorganization grants, assistance for debentures, grants for isolate boards.

When closely examined, the provincial government's 8.7 percent allocation in 1990, reveals that the most significant portion of the increase has been allocated to cover some of the costs of their policy changes contained in recent Throne speeches (program grants). The category of funding central to ensuring that every pupil has equal access to a base level of education, the basic per pupil grant, was increased only by 5.4 percent. The 1989 and the 1988 funding allocations under the GLG follow the same pattern.

Although the support to education in the past few years has been higher than the rate of inflation, further analysis reveals that start-up funding for Throne speech initiatives has consumed a good portion of the dollars. The basic per pupil grant was increased only slightly above the annual inflation rate.

A close examination of the 5.4 percent increase to the basic per pupil grant (GLG) reveals that the increase was supposed to finance: enrolment growth, costs associated with salaries, supplies and other services, the implementation of pay equity for non-teaching staff, the new Employer Health tax, increased Unemployment Insurance and Canada Pension Plan premiums, plus compensation for the pooling of commercial and industrial assessment. It is unlikely that a percentage point above the inflation rate could possibly finance all of the above.

It is also clear that the "start-up" or incentive funding for the Throne speech initiatives is just that and does not cover the full cost of implementing change. Curriculum and program changes impact school board budgets beyond the level of funding provided. The introduction of new and specialized programs such as English as a Second Language (ESL) and computer technology affect costs in many ways. Administration costs, teacher salaries and training, and school space and facility costs are all affected. The balance must then be funded by the basic per pupil grant and property taxes, thereby accentuating the difference between actual per pupil costs and the government ceiling.

For example, the 1990 GLG announcement this past spring stated that a total of $29 million was allocated for operating grants for junior kindergarten and senior kindergarten. An additional $22 million is available for

equipment. As $29 million will not cover the costs of expanding this program, one can only conclude that the remainder will be assumed by property tax contributions. *(refer to Appendix B for OPSBA's statistical analysis of the impact of mandatory junior kindergarten.)*

As the funding for the provincial initiatives has been "incentive" funding and has not covered the full cost of implementing the programs, the basic per pupil costs have increased. The gap between the Ministry of Education's recognized ordinary expenditure ceilings and the actual per pupil costs of delivering the "new and improved" education system is further widened. In 1989, 98 percent of public school boards (elementary and secondary) were above the approved expenditure ceiling. Ninety eight percent of separate elementary boards were above the approved level, with 67.5 percent of separate secondary above the approved level. *(refer to Appendix C for further information.)* The basic per pupil grant no longer reflects the cost of delivering the kind of education that the public expects or the provincial government demands. More is being funded by the local property tax.

B. THE INCREASED COSTS OF DOING BUSINESS

The Employer Health Levy imposed by the government in 1990 has increased school board costs, as have Unemployment Insurance and Canada Pension Plan premium increases. Public school boards are also facing higher salary costs resulting from implementation of pay equity for non-teaching staff. It is expected that the still to be achieved pay equity plan for teachers will have a significant impact on salaries. These payments will be retroactive to January 1, 1990 and will constitute a substantial liability for school boards.

In 1991 the GST will also impact school board budgets. Boards will be affected adversely in cash flow due to the time of acquiring goods and services and the eventual receipt of the 68% rebate from the federal government. Boards may have to interim finance and incur bank interest costs. The administration of the GST, in terms of accounting systems and tracking of input tax credits and GST collections will add to operating costs. As well the federal government has suggested that there will be a one time increase in the cost of living of approximately 1 and 1/4 percent. Economists have stated that this is a conservative estimate. Regardless, collective bargaining strategies for 1991 will likely include compensation for cost of living increases due to the GST.

Environmental awareness has become essential for all public services, education included. Boards of education are changing their procedures to ensure environmentally safe schools, where students and staff can learn without being subjected to unnecessary "toxics". The recent press attention to asbestos in schools is only one example. Whether it be asbestos removal or clean-up of toxics on school sites, all add to operating and capital costs.

The exact dollar impact of the Employer Health tax, the UIC changes and the GST are all difficult to measure. Last year the government increased transfer payments by 8.7 percent but increased the basic per pupil grant by only 5.4 percent, as noted in Table 2. At the same time the government increased the standard mill rate by about 8 percent for elementary and for secondary education. This resulted in reducing the government's share of approved costs. The increased costs of doing business, providing basic education have been increasingly financed by property tax dollars.

C. ENROLMENT AND CHANGES IN DEMOGRAPHICS

Another pressure on school board finance is enrolment. The Treasurer of Ontario and Minister of Education must include natural enrolment growth into the assessment of school board requirements for 1991. (Enrolment is projected to increase by 1.53 percent over 1990.) Past policies have not always included this factor although it was apparently included in the 1990 GLG increases. OPSBA urges the government to utilize the most recent school board enrolment figures (release by the Ministry of Education, September 30, 1990) as a factor of transfer payment growth.

Public boards of education in growth areas are facing many challenges in servicing new subdivisions. Junior and senior kindergarten initiatives will also increase enrolment in some boards. Immigration has increased the need for ESL programs. There are and will continue to be more adult education programs, as the education system responds to the continuing education needs of our workforce.

D. BILL 64 AND SHARING THE REVENUE BASE

The decision to provide full funding to separate secondary education has had a significant financial impact for public boards, and for the taxpayers. Transfer payment to education have funded an expanded publicly funded education system. The size of the allocation has not kept pace with the increase in recipients and programs.

Bill 64, which received Royal Assent in 1989, was a further step in this direction by redistributing local revenues. The assessment now shared between public and separate boards includes telephone and telegraph tax, the assessment of public corporations, and the assessment of private (business) partnerships.
OPSBA has closely monitored the impact of the above and has participated in a study conducted by the Ontario Public Education Network, which assessed the "actual" impact to public boards of education. The study has concluded that the Ministry of Education's estimates of losses in assessment and revenues to public boards is a conservative estimate.

In the spring 1990 announcement of the GLG's the former Minister Sean Conway stated that $30 million had been included in the GLG (by way of a $16 per pupil increase) to compensate those boards for losses in revenue. This suggests that 20 percent of the increase to the GLG ($30 million of the $156 million) was added to compensate for these revenue losses. OPSBA suggests that the compensation for pooling of assessment should have been in addition to the provincial government's support for "basic" education, and should have been distributed not to all boards but just to those boards who did experience revenue losses.

E. CAPITAL NEEDS

In 1988 the provincial government announced a $900 million school facilities capital fund with a three year commitment to school construction and renovation. The 1989 and 1990 budgets increased the allocation to $1.5 billion over a five year period, and $300 million was allocated this year as part of this capital funding program.

This is not a generous allocation of provincial resources to school capital needs when weighed against the needs as identified annually by boards of education in their multi year forecasts.

TABLE 3: 1990 CAPITAL GRANT PROGRAM AND CAPITAL NEEDS

	1990 Capital Program (in millions)	1990 School Board Requests (in millions)	Percentage Funded
site purchase and new pupil places (child care and junior kindergarten)	$254.6	$1,157.0	22 %
renovation and replacement	42.3	330.0	12.8%
program upgrade (technical education)	35.1	131.8	26.6%

It is obvious that the level of support by the government has not kept pace with school board needs. Many essential and basic projects are not funded.

Although this report primarily addresses operating support to education through the transfer payment process, capital funding issues cannot be ignored. OPSBA will be examining this in greater detail and will be forwarding more specific proposals to the government later this year.

II. PROPERTY TAX INCREASES

The most conclusive evidence that the 1990 8.7 percent increase to education was not enough, is the following sampling of 1990 property tax increases. When coupled with the municipal property tax increases it becomes obvious that the local ratepayer is funding an increasing portion of public services.

TABLE 4: 1990 PROPERTY TAX IMPACT*

***By Sector of Local Government Structure**

Local government	1989 mill rate	1990 mill rate	% change 89/90
Regional government			
municipal	116.5	124.1	6.5
public school	138.9	156.4	12.6
separate school	134.9	148.0	9.7
Metropolitan Toronto			
municipal	156.8	170.2	8.5
public school	187.3	207.6	10.8
separate school	190.0	208.8	9.5
Cities in Southern Ontario			
municipal	143.2	154.6	8
public school	129.1	148.0	14.6
separate school	130.3	152.0	16.5
Cities in Northern Ontario			
municipal	118.0	120.0	1.7
public school	136.9	140.0	2.4
separate school	135.1	138.8	2.8
Rural south - towns, counties			
municipal	102.9	112.6	9.4
public school	161.9	184.3	13.8
separate school	160.7	183.8	14.4
Districts - rural north			
municipal	74.7	81.3	8.7
public school	85.2	93.2	9.4
separate school	83.2	91.6	10.1

NOTE: Municipal mill rates are residential plus upper-tier residential where appropriate.
1990 figures are estimates.

The above data reveals that 1990 education mill rates, both public and separate have increased dramatically over 1989. Education mill rates have increased at a greater rate than municipal mill rates, as local boards of education cannot cut education programs and services to the same degree that municipal governments can redirect their programs and services.

III. RECOMMENDATIONS

The Ontario Public School Boards' Association has noted that the NDP election promise of increasing the provincial support to education to the 60 percent level is part of its proposals for tax reform, in this case property tax relief. Therefore as a first measure, the government should significantly increase the transfer payments to boards of education in 1991.

The following recommendations are presented for the consideration of the government:

1. OPSBA urges the government to consider these requirements for 1991:
   - o Consumer Price Index
   - o GST impact
   - o enrolment (Ministry enrolment projections for 1991, including expansion of junior kindergarten)
   - o more accurate data on the impact of pooling of commercial and industrial assessment
   - o cost of pay equity, Employer Health tax, occupational health and safety programs
   - o costs of education program and curriculum changes
   - o costs of environmental regulation

2. OPSBA recommends that the provincial government provide a minimum increase of 11 percent for 1991, costing the government approximately $ 500 million more.

PART II
THE NEED FOR REFORM

As stated in the introduction of this brief, OPSBA urges the government to honour its promise to increase the level of support to education to 60 percent over a five year period. However, in conjunction with dedicating more provincial dollars to Ontario's education system, the government must begin a process for reform.

In its 1989 report to the Select Committee on Education, OPSBA stated:

> "The funding of education must remain a partnership between the provincial and local governments. Once a consensus has been reached on the level of program required to provide equal access to educational opportunities, then decisions can be made as to what the relative financial shares between the provincial and local governments should be in providing this service; the ways in which money should be provided; and the required level of funding."

OPSBA, on behalf of the public school boards of Ontario, strongly believes that it is time for a consultative process to examine some fundamental issues: determine the role of education in society, determine the roles of the governmental partners, and then jointly develop a financial structure to support the education needs of our citizens.

The Ontario Public School Boards' Association representing the elected public school trustees from across the province offers leadership and assistance to the government in this task.

I. THE 60 PERCENT SOLUTION: 60 PERCENT OF WHAT?

It is a well recognized fact that over the years the direction of the Ontario government has been to transfer an increasing portion of the overall cost of education to local school boards and the property tax base. Table 5 illustrates this historical progression.

It is interesting to note that the target of 60 percent provincial support and 40 percent property tax support was a reality only in the mid 1970's, with the level of support at 61.3 in 1975. In 1976 the Ministry of Education removed the expenditure ceilings of school boards, and the rate of provincial support has declined steadily since.

With the removal of the expenditure ceilings, the Ministry gave up its control over the annual total school board budget. The provincial share then is determined to be a percentage of the total school board budget, as determined by the locally elected board ... an open ended formula. There is obviously a direct relationship between finance and political accountability, at the provincial level and at the local school board level.

TABLE 5: PROVINCIAL/LOCAL SHARING (1975 - 1989)

Year	Total Expend. (Millions)	Provincial Support (Millions)	Provincial Support (%)	Local Support (%)	Year	Total Expend. (Millions)	Provincial Support (Millions)	Provincial Support (%)	Local Support (%)
1975	2656	1629	61.31	38.69	1983	5913	2920	49.38	50.67
1976	3105	1720	55.40	44.60	1984	6345	3032	47.78	52.22
1977	3407	1871	54.90	45.10	1985	6798	3169	46.62	53.38
1978	3661	1952	53.31	46.69	1986	7261	3313	45.62	54.38
1979	3919	2056	55.46	47.54	1987	7880	3615	45.88	54.12
1980	4285	2231	52.05	47.95	1988	8743	3872	44.29	55.71
1981	4793	2486	51.87	48.13	1989	9660	4129	42.70	57.30
1982	5429	2742	50.50	49.50					

OPSBA recognizes that the election promise for 60 percent provincial funding for education is in fact a complex issue which requires a thorough examination of not only finance but governance. OPSBA also notes that the 60 percent promise as contained in "An Agenda for the People: a Fair Tax Plan for Ontario" has been presented in the context of tax reform, in this case property tax reform. This suggests that a broad approach to the issue is necessary, including an examination of the proportion of property tax which should be financing our education system, and the relationship between this tax base and local government. This also suggests that education finance is directly linked to the role of school trustees as locally elected representatives, responsible for the delivery of education and accountable for tax dollars.

In any plan to vacate a tax base and provide property tax relief there must be some thought given to ensuring that new priorities and public services do not replace the proportion previously funding education. The tax removed should not be viewed as an opportunity to fund for example new municipal responsibilities. Education finance cannot be viewed in isolation from provincial-municipal finance and there is a need perhaps for a review of the total provincial-local relationship in delivering public services.

II. RECOMMENDATIONS

OPSBA recommends a planned approach to reform.

As a first and immediate step it is recommended that the government establish a consultative process to review the adequacy of the basic per pupil block grant.

A. REVIEW OF THE GENERAL LEGISLATIVE GRANT: RECOGNIZED ORDINARY EXPENDITURE

3. OPSBA recommends that the Ministry of Education with the Ministry of Treasury and Economics establish as soon as possible a consultative process with the education sector to examine the adequacy of the recognized ordinary expenditure ceilings, and set new and appropriate levels for the expenditure ceilings.

OPSBA urges immediate action on recommendation three of the Third Report of the Select Committee on Education:

> "The Minister should consult with the key partners in education as soon as possible to:
> - o determine a clear and understandable mode of calculating the cost of providing the education services mandated in the *Education Act* and identifying the basic components of recognized expenditure;
> - o develop a rational means of updating these costs calculations and ceiling determinations ..."

As noted in Table 5, there has been an increasing reliance on the property tax base to finance education. There is a direct relationship between the formula of the grant and rising property taxes. The provincial government bases its funding on the "approved expenditures". The costs of education above the approved expenditure level are borne by the property tax. The appropriateness of the current approved expenditure has been questioned for some time. This is the logical first step on the road to reform.

B. EDUCATION FINANCE DATA/IMPACT ANALYSIS

OPSBA has identified many of the provincial initiatives that have impacted school board budgets, and which also have changed the grant structure.

Earlier in this brief, OPSBA identified the Throne Speech initiatives, program and legislative changes that have increased school board costs. Also OPSBA stated that there has not been an adequate process for determining the "actual" costs to boards in delivering these new programs.

Some individual boards of education have attempted to assess the impact of pay equity, occupational health and safety, curriculum changes, expansion of junior kindergarten, etc., but there has not been a process at the policy setting stage of government for assessing the true impact of policy change. This was also identified as a key issue in the 1990 Report of the Standing Committee on Finance and Economic Affairs: Pre-Budget Consultation. The government to date has not consistently assessed the impact of new policies, new programs, or changes in legislation or regulation on their governmental partners in the delivery of public services.

4. Therefore OPSBA recommends that submissions to Cabinet and Management Board must include a financial impact analysis to school boards of the provincial initiatives that they are required to implement.

In order for this to happen, the Ministry of Education will have to re-examine its current procedures for the collection of school board finance statistics, in particular a breakdown of actual expenditures and the methods of reporting such data to the Ministry. This would also assist the Ministry in developing a consistent approach to updating approved expenditure costs as suggested by the Select Committee on Education in its Third Report.

5. OPSBA offers its assistance to the Ministry of Education by participating in a "technical team" for the re-examination of financial reporting and data collection.

C. AN ACTION PLAN FOR REFORM

OPSBA urges the provincial government to use this opportunity to establish a new consultative relationship with local school boards in the delivery of education to our citizens.

6. OPSBA urges the provincial government to establish a broad consultation forum which would develop and implement a revised system of education finance.

OPSBA urges that the composition of the consultation forum for the reform of education finance, be representative of the stakeholders in the education sector and that public education representatives comprise a significant voice. OPSBA is currently examining models of consultation and collaboration and will be forwarding more specific proposals to the government later this fall.

The review should examine the broad issues of:

- o education and social policy and the financial implications
- o the provincial grant structure
- o property tax and education
- o school board governance: political accountability and fiscal responsibility

The Select Committee on Education Third Report had similar recommendations:

> "20. In reviewing the overall calculation and adequacy of provincial operating and capital grants, the Minister of Education and key partners in education should examine how to improve equitable access to education resources throughout the province.
>
> 23. The Minister of Education should establish a task force to examine options to make the tax base for education funding more progressive.
>
> 34. The Ministry of Education should conduct all policy reviews with the goal of simplifying the structure of education finance."

OPSBA is ready to sit down with the government and plan for the future. The increased provincial support to education promised during the election campaign must be tied to reform and new directions for managing public education in this rapidly changing environment.

APPENDIX A

GOVERNMENT GRANTS TO PUBLIC SCHOOLS*

The General Legislative Grants** as a Percent of Net Expenditure 1990 Grant Year

Panel	GLG as % of Expenditure
Elementary	32.02%
Secondary	24.97%
Elementary & Secondary Combined	29.02%

Source: Grant estimate forms supplied by public school boards 70 out of 71 boards responding.

* 1990 OPEN Pooling Impact Study

** GLGs less direct capital grants

APPENDIX B

IMPACT OF MANDATORY KINDERGARTEN AND JUNIOR KINDERGARTEN ON ONTARIO PUBLIC SCHOOL SYSTEM

TOTAL ENROLMENT	JK	K	Grade 1
	47,517	84,991	88,162
No. of Boards (Enrolment) -- by Ministry of Education Region			
Central Ontario	18 (29,489)	30 (55,913)	30 (57,765)
Eastern Ontario	12 (7,793)	12 (9,451)	12 (9,433)
Midnorthern Ontario	10 (1,892)	13 (2,320)	13 (2,398)
Northeastern Ontario	15 (1,967)	15 (2,363)	17 (2,565)
Northwestern Ontario	18 (1,887)	19 (2,069)	19 (2,264)
Western Ontario	7 (4,489)	12 (12,875)	12 (13,737)
Ontario	80 (47,517)	101 (84,991)	103 (88,162)
Percentage of Boards (% of pupils)			
Central Ontario	60 (51)	100 (97)	100 (100)
Eastern Ontario	100 (83)	100 (100)	100 (100)
Midnorthern Ontario	77 (79)	100 (97)	100 (100)
Northeastern Ontario	88 (77)	88 (92)	100 (100)
Northwestern Ontario	95 (83)	100 (91)	100 (100)
Western Ontario	58 (33)	100 (94)	100 (100)
Ontario	79 (54)	98 (96)	100 (100)

OBSERVATIONS:

1. One hundred and one public school boards out of a total of 103 in Ontario offer 1/2 day kindergarten with 96% of eligible pupils in attendance.

2. Eighty public school boards out of a total of 103 in Ontario offer 1/2 day junior kindergarten with 54% of eligible pupils in attendance.

3. Out of an approximate total of 88,162 eligible pupils per grade level in all of Ontario, 84,991(96%) currently attend kindergarten and 47,517 (54%) currently attend junior kindergarten.

APPENDIX C

BOARDS OF EDUCATION EXPENDITURE CEILINGS
(from 1989 estimates)

	Public		Separate		Total	
	pupils	boards	pupils	boards	pupils	boards
SECONDARY PANEL						
Above ceiling	99.9%	96.7%	82.0%	67.5%	95.5%	87.4%
ELEMENTARY PANEL						
Above ceiling	99.9%	98.6%	99.7%	98.0%	99.9%	98.4%